

Message Text

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E.O. 11652: N/A

TAGS: EAID

SUBJ: U.S. AID TO PORTUGAL

REFS: (A) STATE 35652, (B) STATE 35773

1. DR. VITOR CONSTANCIO, SECRETARY OF STATE FOR ECONOMIC PLANNING, INFORMED US LATE FEBRUARY 19 THAT COUNCIL OF MINISTERS HAD JUST AGREED TO PROPOSAL OF MINISTER OF FINANCE THAT GOP REQUEST DOLS 10 MILLION OF U.S. AID, INCLUDING DOLS 1 MILLION FEASIBILITY STUDIES LOAN, THE DOLS 500 THOUSAND CONSULTANTS AND TRAINING GRANT, AND THE DOLS 8.5 MILLION LOAN/GRANT HOUSING PACKAGE. FORMAL LETTER OF REQUEST, HE SAID, WILL COME SHORTLY FROM MINISTRY OF FOREIGN AFFAIRS. (MORNING PRESS AND RADIO FEBRUARY 20 REPORTED COUNCIL OF MINISTERS APPROVED SCHEME TO UTILIZE DOLS 30 MILLION (SIC) LOAN FURNISHED BY THE U.S.) WE ASSUME ADDITIONAL DOLS 20 MILLION IS HOUSING GUARANTEE.

2. AT SAME TIME IT APPROVED REQUEST FOR AID, COUNCIL OF MINISTERS DESIGNATED CONSTANCIO AS COORDINATOR FOR FOREIGN ASSISTANCE. THIS CONFIRMS A DE FACTOR SITUATION BUT SHOULD MAKE IT EASIER FOR HIM TO PRESSURE OTHER MINISTRIES AND EXPEDITE DEVELOPMENT PROJECTS.

3. CONSTANCIO GAVE FULL APPROVAL FOR U.S. ADMINISTRATION TO USE FOLLOWING PROJECTS IN ITS SUPPORT OF AID-TO-PORTUGAL REQUEST IN CONGRESS: PRIMARY SCHOOLS, WATER AND SEWAGE, COMMUNITY HEALTH
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CENTER, AND NEW UNIVERSITY OF LISBON. (DETAILS ON THESE PRO-

JECTS ATHERED PAST FEW DAYS ARE BEING REPORTED SEPTTEL.)

4. CONSTANCIO HAS IN HAND COPIES OF LOAN AND GRANT AGREEMENTS WHICH GAIR (REF A) BROUGHT WITH HIM. CONSTANCIO AGREED TO STUDY THEM IMMEDIATELY IN ORDER TO AVAIL HIMSELF OF GAIR'S PRESENCE SHOULD HE PERCEIVE ANY DIFFICULTIES. FURTHER MEETING SCHEDULED FEBRUARY 21, THEREFORE NEED RESPONSE LISBON 934 BY COB WASHINGT FEBRUARY 20. THE SECRETARY FOCUSSED BRIEFLY ON THE LOAN TERMS, INCLUDING THE 5 PER CENT INTREST RATE, BUT MADE NO COMMENT.

5. WE USED OPPORTUNITY TO DISCUSS AID PROGRAMMING AND THE AFRICAN TERRITORIES AS PRESENTED IN REF (B). CONSTANCIO'S IMMEDIATE REACTION WAS THAT GOP COULD ACCEPT IDEA OF DOLS 5 MILLION OUT OF THE DOLS 25 MILLION FOR AFRICA IF THE DOLS 5 MILLION WERE CHANNELLED THROUGH THE GOP. HE IDENTIFIED LIKELY RECIPIENTS OF THIS AID AS EITHER CAPE VERDES OR SAO TOME-PRINCIPE. HE THOUGHT IT WOULD BE VERY DIFFICULT FOR GOP TO CHANNEL AID TO MOZAMBIQUE OR ANGOLA INASMUCH AS THESE TERRITORIES ARE VIRTUALLY INDEPENDENT STATES THAT PREFER TO DEAL DIRECTLY WITH POTENTIAL DONORS.

6. GIVEN GOP PREOCCUPATION WITH OTHER MATTERS AND GIVEN POLITICAL ORIENTATION OF SOME MEMBERS OF COUNCIL OF MINISTERS, PARTICULARLY PRIME MINISTER, THIS EARLY AGREEMENT SHOULD BE CONSIDERD A SIGNIFICANT BREAKTHROUGH FOR U.S. WE HAVE AROUSED A GREAT DEAL OF INTEREST THROUGHOUT GOP. GELABERT'S EFFORTS HAVE BEEN MOST HELPFUL IN THIS CONNECTION, AS WAS THE EARLIER GROUNDWORK LAID BY PATTERSON AND LUSTIG. CARLUCCI

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